

## E. Enhancement of MVPD and Programming Competition

**207.** We find that the present transaction is likely to hasten competition in the MVPD marketplace in BellSouth's region, bringing to consumers in this territory the benefits of MVPD competition faster and more efficiently than would occur but for the merger.<sup>569</sup> The Applicants contend that BellSouth is investing \$2.2 billion over a five-year period to upgrade its broadband access and core network infrastructure – upgrades that will permit BellSouth and the merged entity to offer a wide range of P-based interactive services, including IPTV.” While BellSouth has taken some preliminary steps toward offering IPTV service,” AT&T has been at the forefront of telecommunications carriers’ efforts to

<sup>569</sup> See AT&T/BellSouth Application at 20-28; AT&T/BellSouth Kahan Decl. at paras. 33-39; AT&T/BellSouth Carlton/Sider Decl. at paras. 54-63; AT&T/BellSouth Reply at 5-7. In addition, based on the record evidence, we find that the merger likely will result in scale economies related to IPTV service, which likely will benefit consumer.. in AT&T's region as well as BellSouth's region. See, e.g., AT&T/BellSouth Application at 24-26 (stating among other things that the merger will eliminate the need for BellSouth to construct and equip two “super hub office” facilities, saving tens of millions of dollars; that the merged entity will be likely to obtain video programming on more favorable terms in the future; that BellSouth will be able to benefit from AT&T's scalable hub office systems – which cost several hundred million dollars – to support IPTV service; and that the merger will improve the ability of the merged entity to attract national advertisers); AT&T/BellSouth Kahan Decl. at paras. 36-39 (stating, for example, that currently “AT&T's cost of programming is higher than must cable operators and DBS providers, which have very large existing customer bases and which therefore have an advantage over a new entrant such as AT&T”); AT&T/BellSouth Smith Decl. at paras. 4-28 (discussing the Applicants' efforts to develop IPTV service and noting that many of the costs of such service “are correlated with the scale of the service”). We disagree with TWTC's assertion that the merger would have no material effect on many of the costs BellSouth must incur to provide video service. See Letter from Thomas Jones and Jonathan Lechter, Counsel for Time Warner Telecom, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 06-74 at 2-3, 5-6 (filed Oct. 6, 2006) (TWTC Oct. 6 *Ex Parte* Letter); see also Letter from Gary L. Phillips, ATBIT Inc., and Bennett L. Ross, BellSouth Corporation, to Marlene H. Dortch, Secretary, FCC, WC Docket 06-74 (filed Oct. 24, 2006).

<sup>570</sup> See AT&T/BellSouth Application at 23; AT&T/BellSouth Smith Decl. at 8 (stating that the fiber upgrade will allow BellSouth to achieve speeds of 24 Mbps and higher, which will be available to 50% of the households within the BellSouth region by the end of 2007, and to approximately 75% of such households by the end of 2009).

<sup>571</sup> We decline to base our decision on the Applicants' assertion that BellSouth has **not** yet decided whether to offer a commercial IPTV service. See, e.g., AT&T/BellSouth Application at 23 (stating that BellSouth has **not** decided whether to make the substantial additional investment that would be required to offer a commercial IPTV service); AT&T/BellSouth Smith Decl. at 14, 21; Letter from Bennett L. Ross, General Counsel – D.C., BellSouth, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 06-74, Attach. at para. 1 (filed May 31, 2006) (AT&T/BellSouth Smith Suppl. Decl.). The evidence in the record suggests that, if the merger were not consummated, BellSouth would continue to take steps toward offering IPTV service. See, e.g., AT&T/BellSouth Smith Decl. at para. 8 (“For several years, BellSouth has recognized the importance of being able to provide high quality competitive video service to residential customers in order to compete with the ‘triple play’ offering that cable companies were planning and have now implemented across its region.”); *id.* at para. 16 (stating that BellSouth has begun construction of one of two super headend facilities that it could use to provide IPTV service, each of which will cost \$25-\$30 million); AT&T/BellSouth Smith Suppl. Decl. at paras. 1-4 (stating that, after the Applicants filed the Application in this proceeding, BellSouth “made the decision to pursue video business opportunities in a small number of newly constructed, multi-family communities” which may, at least in part, be provided using IPTV technology, and that BellSouth has begun negotiating carriage agreements with programmers); see also Access Point *et al.* Petition at 48 (predicting that BellSouth eventually would deploy IPTV service in its region in light of the “substantial investment” BellSouth has made in fiber upgrades); see also TWTC Oct. 6 *Ex Parte* Letter at 1-4. As explained in the text above, notwithstanding the preliminary steps BellSouth has taken toward possibly eventually offering IPTV service, we nevertheless agree with the Applicants that the merger will

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develop and market such video services, and has been a particularly aggressive competitor in this regard.<sup>572</sup> We therefore agree with Applicants and find that the merger likely will enable the combined company to deploy IPTV in BellSouth's territory more quickly and at lower cost than BellSouth could do on its own.<sup>573</sup> The GAO has found that cable rates are from 15 to 41 percent lower where the incumbent cable company faces competition from a wireline video provider."<sup>574</sup> But for the merger, consumers in BellSouth's territory likely would have to wait longer for the benefits of IPTV competition.<sup>575</sup>

## F. Enhancements to National Security, Disaster Recovery, and Government Services

208. We take considerations of national security and disaster recovery extremely seriously, and we find that the merger has the potential to generate significant benefits by enhancing national security,

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enable the combined company to deploy IPTV more quickly and inexpensively than BellSouth could do alone. *See* AT&T/BellSouth Smith Suppl. Decl. at 2.

<sup>572</sup> *See, e.g.,* AT&T/BellSouth Application at 21-22 (enumerating some of the steps AT&T has taken over the past three years to prepare for the widespread commercial launch of AT&T's Project Lightspeed IPTV service); AT&T/BellSouth Kahan Decl. at paras. 33-35. The Concerned Mayors Alliance argues that the Commission should not approve the present merger until it is satisfied that the Applicants will not engage in redlining as they roll out new video services. *See* Concerned Mayors Alliance Comments at 12, 19. We disagree and believe that the issues raised by the Concerned Mayors Alliance are not merger specific and would be more appropriately addressed in a more general fashion. We note that Congress currently is considering new franchising legislation that could address this issue, and that currently pending before the Commission is a rulemaking addressing telecommunications carriers' provision of video services and the franchising process, as well as other issues arising under section 621(a) of the Cable Act. *See Implementation of Section 621(a)(1) of the Cable Communications Policy Act of 1984, as Amended*, Docket No. 05-311, *Notice of Proposed Rulemaking*, 20 FCC Rcd 18581 (2005); *see also* AT&T/BellSouth Reply at 113-15 (arguing that the franchising and redlining issues raised by the Concerned Mayors Alliance are "addressed in existing federal and state laws and are the subject of pending legislation, administrative proceedings, including proceedings pending at the FCC, and court cases").

<sup>573</sup> Because we believe the consumer benefits of increased video competition will occur more quickly if the merger is consummated than if it is not, we reject the arguments of Access Point *et al.* that such benefits could be "achieved by BellSouth's provision of video programming even if it remains independent of AT&T." *See* Access Point *et al.* Petition at 49 (arguing that the merged entity will need to make additional infrastructure investments and renegotiate portions of AT&T's programming agreements before providing IPTV service in BellSouth's region). Similarly, for the reasons set forth in the text above, we reject TWTC's argument that faster BellSouth entry into the IPTV market is not a cognizable benefit of the merger. *See* TWTC Oct. 6 *Ex Parte* Letter at 3-5.

<sup>574</sup> *See* U.S. General Accounting Office, Wire-Based Competition Benefited Consumers in Selected Markets, Report to the Subcommittee on Antitrust, Competition Policy and Consumer Rights, Committee on the Judiciary, U.S. Senate, at 4 (Feb. 2004), available at <http://www.gao.gov/new.items/d04241f>. *See also* AT&T/BellSouth Application at 20 nn. 63-64 (reporting lower cable costs where cable operators are subject to competition); AT&T/BellSouth Carlton/Sider Decl. at paras. 56-62 (discussing the consumer benefits of video competition); AT&T/BellSouth Carlton/Sider Reply Decl. at 174-76 (citing various studies supporting the contention that competition for video services significantly reduces prices for such services).

<sup>575</sup> *See* AT&T/BellSouth Carlton/Sider Reply Decl. at paras. 175-82 (estimating that a 15% to 20% decline in cable prices in BellSouth's territory would result in \$1 billion to \$2.5 billion in consumer welfare benefits if the merger results in IPTV being deployed in BellSouth's region between 12 and 24 months sooner than it otherwise would be, even ignoring the effect that lower prices would likely have on video service take rates and ignoring the benefits of competition on other aspects of cable service other than price, such as improvements to customer service and programming offerings).

improving services to U.S. government customers, and enhancing the Applicants' disaster recovery capabilities. Specifically, we find that the merger will enable a unified, end-to-end, IP-based network that can provide the government with additional security and routing efficiency for vital and sensitive government communications.<sup>576</sup> In addition, we find that the merger will enhance the Applicants' abilities to prepare for, and respond to, disasters.

209. We agree with the Applicants and find that the merger will "provide significant benefits to government customers and strengthen national security by creating a stronger, more efficient, U.S.-owned and U.S.-controlled supplier of critical communications capabilities." Both AT&T and BellSouth provide substantial telecommunications and technology services to federal and state government agencies involved in national security." We find that the merger will create a stable, reliable, U.S.-owned company that will provide improved service to government customers." Moreover, we find that the merger will help BellSouth and Cingular improve communications security and network efficiency, which in turn should benefit national defense and homeland security.<sup>580</sup>

210. We also find that the merger has the potential to increase the Applicants' ability to respond to disasters.<sup>581</sup> By operating as a single company, the Applicants will be able to eliminate many of the processes that currently contribute to delay in deploying resources under existing voluntary aid

<sup>576</sup> See AT&T/BellSouth Application at 30-31. Because we find that the networks of AT&T and BellSouth largely are non-overlapping – *see, e.g.*, AT&T/BellSouth Rice Decl. at para. 44 (stating that "BellSouth has only a regional network, and does not own network assets outside of its nine state" in-region territory); *see also infra* Part V.B (Wholesale Special Access Competition) (discussing the limited extent to which AT&T has constructed a local network in BellSouth's territory) – we reject commenters' concerns that the merger could reduce network redundancy. *See, e.g.*, Access Point *et al.* Petition at 55-57 (arguing that integrating AT&T's and BellSouth's currently interconnected networks will be "materially different" from the current network structure and could make communications less reliable); ScanSource Reply at 7 (arguing that large telecommunications users require "two providers for each of the telecommunications services they intend to purchase – one to provide service on a day-to-day basis, and another to act as a back-up").

<sup>577</sup> AT&T/BellSouth Application at 28; *see also id.* at 17-18, 28-40 AT&T/BellSouth Rice Decl. at paras. 35-43; AT&T/BellSouth Smith Decl. at paras. 29-41; AT&T/BellSouth Reply at 7-8.

<sup>578</sup> See AT&T/BellSouth Application at 30

<sup>574</sup> For example, we find credible the Applicants' assertion that the merger, *inter alia*, will: "provide more efficient routing for government communications, with fewer hops, reducing network latency and a lower rate of packet loss." (AT&T/BellSouth Application at 30); "allow the reengineering of separate local, long-distance and wireless networks into integrated end-to-end IP networks" which will provide better security for government communications. (*id.* at 30-31); allow for streamlined channels of communication during emergencies (*id.* at 31); and "allow government customers in BellSouth's region to take advantage of AT&T's unique expertise in addressing classified issues of national security" (*id.* at 30 n.88, 32) (noting that AT&T performs various classified contracts, and thousands of its employees hold government security clearances).

<sup>580</sup> *See, e.g.*, AT&T/BellSouth Rice Decl. at para. 45 (explaining that, after the merger is consummated, BellSouth and Cingular customers will benefit from the advanced security solutions that are incorporated into AT&T's IP backbone). We disagree with the allegation of Access Point *et al.* that the applicants have not explained how the companies' merged network will provide improved security. *See* Access Point *et al.* Petition at 53-55.

<sup>581</sup> *See* AT&T/BellSouth Application at 32-40; AT&T/BellSouth Rice Decl. at paras. 35-43; AT&T/BellSouth Smith Decl. at paras. 29-41; AT&T/BellSouth Reply at 7-8.

agreements and other support that AT&T and BellSouth provide each other in emergencies.<sup>582</sup> Furthermore, the combined company will be able to benefit from the unique disaster response expertise and equipment of each of the Applicants. For instance, the Applicants explain that “AT&T has invested hundreds of millions of dollars to develop a truly unique disaster response capability.”<sup>583</sup> Not only can AT&T “deploy custom-built emergency vehicles with satellite uplink facilities, providing a critical command center as a first response to a disaster,” but it also has the ability to “deploy as many as 150 mobile central offices from its own fleet of trucks,” allowing quick restoration of service if one or more central offices or related critical infrastructure is destroyed.<sup>584</sup> Currently, BellSouth’s customers are unable to benefit from these and other resources possessed by AT&T due to equipment incompatibility and other issues – a situation the Applicants contend will change following the consummation of the proposed merger.<sup>585</sup>

### G. Efficiencies Related to Vertical Integration

211. As the Commission previously has recognized, vertical transactions may generate significant efficiencies.<sup>586</sup> For example, vertical integration may produce a more efficient organizational form, which can reduce transaction costs, limit free-riding by internalizing incentives, and take advantage of technological economies.<sup>587</sup> Vertical integration also may reduce prices in the downstream market by eliminating “double marginalization.”<sup>588</sup>

212. We find that significant benefits are likely to result from the vertical integration of the complementary networks and facilities of AT&T and BellSouth.<sup>589</sup> The Applicants assert that their

<sup>582</sup> See, e.g., AT&T/BellSouth Rice Decl. at para. 36 (explaining that, in the case of Hurricane Katrina, BellSouth first had to determine its specific needs before it formally requested help from SBC, which in turn needed to determine whether it had an inventory of compatible equipment and parts and, if so, needed to determine how much could be shared with BellSouth without risk to SBC’s network, and how many personnel could be loaned consistent with SBC’s own network support obligations in a manner that complied with various labor agreements); AT&T/BellSouth Application at 34-39.

<sup>583</sup> AT&T/BellSouth Rice Decl. at para. 39; see also AT&T/BellSouth Application at 37-38.

<sup>584</sup> See, e.g., AT&T/BellSouth Rice Decl. at para. 39 (noting that AT&T also has “350 trailers with generators, HVAC systems and other resources needed to provide power and cooling to facilities that have lost power, enabling the facilities to be brought back on line quickly”).

<sup>585</sup> See AT&T/BellSouth Rice Decl. at para. 42 (noting that because AT&T could not image the BellSouth switch and node databases in advance of Hurricane Katrina nor access BellSouth customer data, AT&T’s proprietary software could not be used rapidly to rebuild the databases required to make the replacement switches operational, and stating that “[h]ad these recovery technologies been available to BellSouth and Cingular then, as they would be post-merger, more of the service disrupted by Hurricane Katrina would have been restored much more rapidly”); AT&T/BellSouth Smith Decl. at para. 33 (“BellSouth does not have the same scale of equipment or expertise, and the merger would make [AT&T’s disaster response resources] available to customers in BellSouth’s region.”).

<sup>586</sup> *News Corp./Hughes Order*, 19 FCC Rcd at 507-08, para. 70.

<sup>587</sup> *Id.*

<sup>588</sup> *Id.* See also *SBC/AT&T Order*, 20 FCC Rcd at 18387, para. 190, n.537.

<sup>589</sup> We reject the argument of Access Point *et al.* that the Applicants have failed to demonstrate significant efficiencies resulting from vertical integration. See Access Point *et al.* Petition at 58-60. Because Applicants

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wireline networks are complementary, with BellSouth and AT&T each providing a non-overlapping extensive local network with substantial amounts of fiber, and AT&T providing a global fiber optic long distance network and global data capabilities.<sup>590</sup> The Applicants claim that the combined company will be able to offer services over a centrally managed network and provide customers with end-to-end communications and comprehensive network management.<sup>591</sup> They further maintain that the combination of their services will benefit large enterprise and wholesale customers by enhancing the merged entity's ability to make available the broad range of communications services and global reach that those customers demand.<sup>592</sup>

213. We find that the merger will permit the integration of the complementary networks and assets of AT&T and BellSouth, giving each carrier facilities it previously lacked, and enabling the merged entity to offer a wider range of services to its broad range of customers.

## H. Economies of Scope and Scale

214. We find that the merger of AT&T and BellSouth is also likely to give rise to significant economies of scope and scale, although these are difficult to quantify. While AT&T and BellSouth compete in some of the same markets, the focus and success of their efforts has often come in different segments of these markets.<sup>593</sup> The merger thus not only gives the combined company a larger total

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currently operate complementary and largely non-overlapping networks, we find the merger will allow the merged entity to realize vertical efficiencies that could not be realized through the means Access Point *et al.* suggest, such as migration to separate IP networks, and through "appropriate service agreements." *See id.*

<sup>590</sup> *See, e.g.,* AT&T/BellSouth Application at 42-44 (stating that, "AT&T has deployed, and is continuing to deploy, a substantial nationwide and worldwide MPLS network that facilitates the efficient transport and routing of traffic in numerous protocols (*e.g.*, IP, ATM, Frame Relay, Ethernet), all over the same backbone" in 127 countries but "lacks broadly deployed last mile facilities of its own to reach customers in BellSouth's region" while "BellSouth has deployed, and is continuing to deploy, fiber optic facilities deeper into its last mile networks to enable the efficient delivery of advanced services in a variety of protocols" but "lacks the extensive nationwide MPLS network necessary to serve efficiently customers that need service both inside and outside BellSouth's region"); AT&T/BellSouth Rice Decl. at paras. 44-51; AT&T/BellSouth Smith Decl. at para. 42; AT&T/BellSouth Boniface Decl. at paras. 5-8, 11, 17.

<sup>591</sup> *See, e.g.,* AT&T/BellSouth Application at 44-46, 48-51; AT&T/BellSouth Kahan Decl. at paras. 12-32; AT&T/BellSouth Rice Decl. at para. 8; AT&T/BellSouth Boniface Decl. at para. 21.

<sup>592</sup> *See, e.g.,* AT&T/BellSouth Smith Decl. at para. 42 (stating that, while BellSouth can meet the needs of customers who do not require significant out-of-region connectivity, "[b]ecause BellSouth does not have its own long-distance facilities with a national reach, the company by itself will not be able to realize and deploy for its customers the full measure of benefits that spring from an integrated IP-based network" and that "[b]y allowing BellSouth to integrate its network with AT&T's long-distance and IP facilities, and by bringing Cingular's network under the umbrella of the combined company, the merger will allow the combined company to realize more efficiencies and take advantage of an IP-based network faster and more efficiently than AT&T, BellSouth, or Cingular could standing alone"); *see also* AT&T/BellSouth Kahan Decl. at paras. 41-42; AT&T/BellSouth Smith Decl. at para. 47.

<sup>593</sup> *See, e.g.,* AT&T/BellSouth Application at 64-68 ("AT&T concentrates on serving the full range of complex telecommunications needs of the largest retail business customers, both nationally and globally, while BellSouth focuses predominantly on meeting the local and regional voice and data needs of businesses, most of them significantly smaller than AT&T's target customer, whose operations are concentrated within its nine-state region."); AT&T/BellSouth Carlton/Sider Decl. at paras. 87-90; AT&T/BellSouth Boniface Decl. at para. 6 (stating that, because BellSouth's "primary value proposition stems from [its] extensive local network in [its] incumbent territory, (continued....)

customer base, but also significant shares of customers across a wider range of communications markets than either carrier had before the merger. In addition, we agree with the Applicants that, by broadening its customer base, the merged entity will have an increased incentive to engage in basic research and development.<sup>594</sup> The Commission has recognized in the past that, when a “transaction enables the parties to combine their R&D efforts and to spread the cost of those R&D efforts over” a more extensive customer base, this “could result in new products and services that would not have been introduced absent the proposed transaction.”<sup>595</sup> We further find that continued intense competition from other carriers will provide sufficient incentives for the merged company to continue to invest in more applied research and product development. We also find that BellSouth will benefit from the substantial investment AT&T has made to ensure that its networks, including critical national defense networks, remain robust and technologically advanced.<sup>596</sup> Finally, we agree with the Applicants that the transaction will accelerate service innovations, such as advanced IP services and converged wireline/wireless services.<sup>597</sup>

## I. Cost Synergies

215. As discussed below, we credit certain cost reductions as benefits resulting from the merger. The Applicants assert that the merger will result in over \$16 billion in savings for both fixed and variable

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[it] principally focus[es] on serving different customer requirements than the full suite of national and international voice and data services for very large customers that is legacy AT&T’s competitive focus”); *see also id.* at paras. 7-22; AT&T/BellSouth Reply at 47 (stating that “numerous enterprise level retail business customers explain that they do not consider BellSouth a viable alternative for their national telecommunications needs”).

<sup>591</sup> *See, e.g.,* AT&T/BellSouth Application at 46-48; AT&T/BellSouth Carlton/Sider Decl. at para. 68; AT&T/BellSouth Rice Decl. at paras. 29-34; AT&T/BellSouth Smith Decl. at paras. 52-60. Access Point *et al.* argue that the merger will not result in more research and development because the merged entity will have less incentive to develop new services to help it obtain a local service presence than the Applicants do now; and because the merged entity will have greater incentive to avoid costly mistakes and cannibalization of its existing services than the Applicants do now. *See* Access Point *et al.* Petition at 60-63. We find these arguments unsupported and unpersuasive. We find, to the contrary, that the increase in scale and scope arising from the merger will help the merged entity to better spread the costs of, and internalize the benefits of, its R&D, thus increasing its incentives to invest.

<sup>595</sup> *News Corp./Hughes Order*, 19 FCC Rcd at 619, para. 342. The Commission also has found that, “if the merged entity can secure larger volume discounts from suppliers, and then pass those lower costs through to consumers in the form of lower end-user prices, this likewise would constitute a public interest benefit that should be considered in balancing the potential harms and benefits of the proposed transaction.” *See id.* at 620, para. 343. This is another benefit of the present merger. *See* AT&T/BellSouth Kahan Decl. at para. 45 (claiming that merger will result in “improved pricing from equipment and service providers”).

<sup>596</sup> *See, e.g.,* AT&T/BellSouth Application at 48-51 (listing numerous innovations developed by AT&T Labs that will benefit BellSouth customers). We reject the claim of Access Point *et al.* that the Applicants have not adequately explained why the merger would permit the more effective sharing of these innovations with BellSouth. *See* Access Point *et al.* Petition at 60.

<sup>597</sup> *See, e.g., supra* note 568 (discussing converged wireline/wireless offerings). As discussed above, we also find the merger will result in customers in BellSouth’s region benefiting from the competition of accelerated deployment of IPTV services. *See supra* para. 207.

operations costs.<sup>598</sup> They contend that the cost savings would include the elimination of duplicative network facilities, staff, and operation systems; greater utilization of network assets by combining the companies' traffic streams; reduced network center and network planning costs; and elimination of duplicative information technology (IT) projects.<sup>599</sup> As support for these claims, the Applicants filed a synergies model in the record, which estimated both cost and revenue synergies.<sup>600</sup>

216. No commenter discusses the synergy model itself.<sup>601</sup> However, Access Point *et al.* argue that the Applicants fail to provide adequate support for their claimed synergies, and argue that Applicants' claimed cost savings are not necessarily a public interest benefit because the merged entity may not pass those costs savings on to consumers.<sup>602</sup> Similarly, EarthLink contends that the synergies claimed by Applicants are speculative and should be balanced against any public interest harms.<sup>603</sup>

217. After careful examination of the Applicants' synergy model, we find that we cannot credit the \$16 billion savings in its entirety. First, the model's calculations assume that all the model's synergies continue in perpetuity.<sup>604</sup> As mentioned above, benefits that are to occur in the distant future may be discounted or dismissed because, among other things, predictions about the more distant future are inherently more speculative than predictions about events that are expected to occur closer to the present. We thus evaluate the evidence of synergy benefits over shorter and more reasonable timeframes included in the model. Therefore, we will examine the claimed [REDACTED] in cost synergies that the Applicants expect to accrue through [REDACTED].

218. We are skeptical of some of the Applicants' cost-savings calculations. For instance, the Applicants contend that by merging three brands into one, the combined entity will save up to \$500 million on advertising annually.<sup>605</sup> According to its synergy model spreadsheet, however, in 2006

<sup>598</sup> See, e.g., AT&T/BellSouth Application at 52 (projecting \$18 billion in total synergies with cost reductions accounting for over 90% of this figure); AT&T/BellSouth Kahan Decl. at para. 42.

<sup>599</sup> See, e.g., AT&T/BellSouth Application at 52-54; AT&T/BellSouth Carlton/Sider Reply Decl. at paras. 134-37

<sup>600</sup> See AT&T Info. Req. Exh. 53 at 12 (presenting the synergies model in hard copy).

<sup>601</sup> Drs. Sumit Majumdar, Rabih Moussawi, and Ulku Yaylacicegli submitted comments which purport to analyze mergers in the "local exchange sector" that took place between 1988 and 2001. See Majumdar Condition Comments. The authors claim that their analysis shows that these mergers did **not** create expected synergy effects, but rather increased market power. Unfortunately, the paper does not provide sufficient information regarding, among other things, the scope of their analysis (e.g., the universe of carriers studied), all of the variables that were used in their regressions, or **all** the assumptions that were made. As a result, staff **was** unable to critically evaluate or replicate their results and, accordingly, we cannot give weight to the paper's results.

<sup>602</sup> We agree with Access Point *et al.* in part, and only credit Applicants with synergies that are supported and are likely to result in public interest benefits. See, e.g., *supra* para. 202 (explaining that the Commission gives greater weight to reductions in variable or marginal costs than in fixed costs).

<sup>603</sup> See EarthLink Petition at 31-32

<sup>604</sup> The synergy model calculates the synergies as the present value of the infinitely-lasting stream of extra income and reduced costs. The Commission does not dispute the use of the net present value concept (to quantify future incomes and cost reductions) itself, but only the length of the time horizon considered.

<sup>605</sup> See AT&T/BellSouth Application at 53; see also letter from Gary L. Phillips, AT&T, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 06-74 at 1 (filed Aug. 21, 2006) (AT&T Aug. 21 *Ex Parte* Letter).

AT&T's estimated advertising costs will be [REDACTED] annually, while the estimates for Cingular and BellSouth's advertising cost are estimated to be [REDACTED] and [REDACTED], respectively.'" Thus, the Applicants contend that they can reduce their combined advertising by approximately [REDACTED] times the amount that BellSouth itself spends on advertising!'" We are also skeptical of the cited advertising savings because there is no information on the record supporting AT&T's quantification of the potential reductions in its advertising expenditures.'" While we accept that the Applicants likely will marginally reduce their advertising expenses by consolidating three brands into one, we believe the combined firm will face largely the same incentive to advertise as before, and most of the same advertising costs.

219. According to the synergy model, much of the cost savings are from headcount reductions, and those calculations seem reasonable.<sup>609</sup> We have no reason to doubt that many overhead positions can be eliminated after the merger. We recognize that some of the headcount savings are likely to come from positions where compensation is based primarily on commission; savings in those positions should reduce variable costs.<sup>610</sup> We find that the remainder of the claimed headcount savings represent primarily savings in overhead, to which the Commission generally has given less weight than marginal cost reductions!'"

220. Certain other claimed cost synergies are unexplained. The synergy model explains very little of the nature of the capital expenditure and operations expenditure reductions.<sup>612</sup> AT&T adds some explanation in its response to the Information Request, but in most cases, the synergy amounts are simply inserted into the model without comment.<sup>613</sup> Accordingly, we give little weight to these claimed cost synergies.

<sup>606</sup> See Letter from Scott Feira, Counsel for AT&T, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 06-74, Attach. at 93 (filed Aug. 10, 2006) (Synergies Model).

<sup>607</sup> See AT&T Aug. 21 *Ex Parte* Letter at 3 (clarifying certain claimed advertising synergies).

<sup>608</sup> The Applicants contend that the [REDACTED]% annual advertising cost savings rate set forth in the synergy model will result from eliminations of current advertising overlap and increases in advertising buying power. See AT&T Aug. 21 *Ex Parte* Letter at 1-2. However, Applicants' wireline services primarily are concentrated in different geographic markets, and although Cingular's territory overlaps with the Applicants' wireline territories, we find no specific evidence in the record to show why Cingular would market its wireless services less if it is rebranded than if it continues to operate under its current brand. Further, we find that any increased buying power the merged firm enjoys is unlikely to approach the cost savings rate cited by the Applicants.

<sup>609</sup> See Synergies Model at 31-40.

<sup>610</sup> See *id.* at 29-30.

<sup>611</sup> *EchoStar/DirecTV Order*, 17 FCC Rcd at 20631, para. 191; see also *DOJ/FTC Guidelines* § 4

<sup>612</sup> See Synergies Model at 31, 36, 41, 50.

<sup>613</sup> Moreover, we note that Applicants claim approximately the same level of synergies in this merger as they claimed in the SBC/AT&T merger proceeding, despite the fact that this is a significantly smaller transaction, which casts additional doubt on unsupported synergy values.



221. In summary, we find that the proposed transaction is likely to generate several significant public interest benefits, although it is difficult to quantify precisely the magnitude of some of these benefits.

222. In addition, on December 28, 2006, AT&T made a series of voluntary commitments that are enforceable by the Commission and attached as Appendix F.<sup>614</sup> These conditions are voluntary, enforceable commitments by AT&T but are not general statements of Commission policy and do not alter Commission precedent or bind future Commission policy or rules.

## VIII. CONCLUSION

223. We find that several significant public interest benefits are likely to result from the proposed transaction and that, with one exception, the merger is not likely to have anticompetitive effects in any relevant markets. As discussed above, we recognize that there will be an increase in market concentration with respect to certain services, including special access services, retail enterprise services, mass market services, and Internet backbone services. We do not find, however, that these increases in concentration are likely to result in anticompetitive effects. In addition, we find that the merger will result in a reduction from two to one in the number of competitors with direct connections to 31 buildings where other competitive entry is unlikely. We find, however, that AT&T's voluntary commitment to divest at least eight fiber strands in the form of ten-year IRUs for these two-to-one buildings where entry is unlikely, which we accept and make an express condition of our approval of this merger, adequately remedies this potential special access harm.<sup>615</sup>

224. We also find potential public interest benefits from the proposed merger that, taken as a whole, outweigh the relatively limited possible public interest harms. These public interest benefits relate to: accelerated broadband deployment; enhancements to MVPD and programming competition; national security, disaster recovery, and government services; unification of Cingular's ownership; efficiencies related to vertical integration; economies of scope and scale; and cost savings.

225. We therefore conclude that, on balance, the positive public interest benefits likely to arise from this transaction are sufficient to support the Commission's approval of AT&T's and BellSouth's application under the public interest test of sections 214 and 310(d) of the Communications Act.

## IX. ORDERING CLAUSES

226. Accordingly, having reviewed the applications, the petitions, and the record in this matter, IT IS ORDERED that, pursuant to sections 4(i) and (j), 214, 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), (j), 214, 309, 310(d), section 2 of the Cable Landing License Act,

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<sup>614</sup> See Appendix F. AT&T filed on December 28, 2006, a letter describing its voluntary commitments. See Letter from Robert W. Quinn, Jr., Senior Vice President – Federal Regulatory, AT&T Services, Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 06-74, Attach. (filed Dec. 28, 2006). On January 4, 2007, AT&T filed an erratum to make two minor corrections to the commitment language and to correct certain building identification codes set forth in the attachment to the Dec. 28, 2006 letter. See Letter from Joan Marsh, Executive Director – Federal Regulatory, AT&T, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 06-74, Attach. (filed Jan. 4, 2007) (AT&T Jan. 4, 2007 *Ex Parte* Letter). Appendix F includes the corrections set forth in the AT&T Jan. 4, 2007 *Ex Parte* Letter, as that letter accurately reflects the voluntary commitments offered by AT&T.

<sup>615</sup> See Appendix F.

47 U.S.C. § 3.5, and Executive Order No. 10.530, the applications for the transfer of control of licenses and authorizations from BellSouth to AT&T as discussed herein and set forth in Appendix B ARE GRANTED subject to the conditions stated below.

227. IT IS FURTHER ORDERED that as a condition of this grant AT&T and BellSouth shall comply with the conditions set forth in Appendix F of this Order.

228. IT IS FURTHER ORDERED that, pursuant to sections 4(i) and (j), 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), (j), 309, 310(d), the Petitions to Deny the transfer of control of licenses and authorizations from BellSouth to AT&T filed by Access Point, Inc. *et al.*, the Center for Digital Democracy, Clearwire Corporation, COMPTel, the Concerned Mayors Alliance, Consumer Federation *et al.*, Earthlink and Time Warner Telecom, Inc. ARE DENIED for the reasons stated herein.

229. IT IS FURTHER ORDERED that, pursuant to sections 4(i) and (j), 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), (j), 309, 310(d), and sections 1.3 and 1.925 of the Commission's rules, 47 C.F.R. §§ 1.3, 1.925, the request by AT&T for a 120 day waiver of section 64.1801 of the Commission's rules, 47 C.F.R. § 64.1801, effective as of the merger closing date, IS GRANTED.

230. IT IS FURTHER ORDERED that pursuant to section 1.103 of the Commission's rules, 47 C.F.R. § 1.103, this Memorandum Opinion and Order IS EFFECTIVE upon adoption. Petitions for reconsideration under section 1.106 of the Commission's rules, 47 C.F.R. § 1.106, may be filed within 30 days of the date of public notice of this Order.

FEDERAL COMMUNICATIONS COMMISSION



Marlene H. Dortch  
Secretary

<b>Commenters</b>	<b>Ahhreviatuon</b>
ACCESS Integrated Networks, Inc.	ACCESS
American Civil Liberties Union	ACLU
Access Point, Inc. ACN Communications Services, Inc. Deltacom, Inc. Florida Digital Network, Inc. d/b/a FDN Communications, Inc. Globalcom Communications, Inc. Lightyear Network Solutions, Inc. McLeodUSA Telecommunications Services, Inc. Mac-West Telecom, Inc. Smart City Networks, Inc. JS LEC Corp.	Access Point <i>et al.</i>
Alliance for Public Technology	APT
Cbeyond Communications Grande Communications New Edge Networks NuVox Communications Supra Telecom Talk America, Inc. XO Communications, Inc. Xspedius Communications	Cbeyond <i>et al.</i>
Center for Digital Democracy	CDD
Clearwire Corporation	Clearwire
Communications Workers of America	CWA
COMPTEL	COMPTEL
Concerned Mayors Alliance	Concerned Mayors Alliance
Consumer Federation America Consumers Union Free Press U.S. Public Interest Research Group	Consumer Federation <i>et al.</i>
Earthlink, Inc.	Earthlink
Federation of Internet Solution Providers of the Americas, Inc.	FISPA
Fones4All Corp.	Fones4All
Georgia Public Service Commission	Georgia PSC
Global Crossing North America, Inc.	Global Crossing
Image Access, Inc. d/b/a NewPhone dPi Teleconnect Express Phone Service, Inc. ABC Telecom d/b/a Home Phone Budget Phone Quality Telephone AmeriMex Communications Corp. Ganoco, Inc. d/b/a American Dialtone The National Alternative Local Exchange Carrier	Resale Joint Commenters

Commenters	Abbreviation
Association/Prepaid Communications Association	
Jonathan L. Ruhin, J.D., Ph.D	Ruhin
Mobile Satellite Ventures Subsidiary LLC	MSV LLC
National Association of State Utility Consumer Advocates	NASUCA
New Jersey Division of the Ratepayer Advocate	New Jersey Ratepayer Advocate
PAETEC Communications, Inc.	PAETEC
Saturn Telecommunication Services, Inc.	STS
Sprint Nextel Corporation	Sprint Nextel
Swiftel Communications, Inc.	Swiftel
Time Warner Telecom, Inc.	TWTC
Reply Commenters	Abbreviation
Ad Hoc Telecom Manufacturer Coalition	Ad Hoc Telecom Manufacturer
Ad Hoc Telecommunications Users Committee	Ad Hoc Telecom Users
Beaver Creek Cooperative Telephone Company Canby Telephone Association Cascade Utilities, Inc. Clear Creek Mutual Telephone Company Colton Telephone Company Gervais Telephone Company Helix Telephone Co. Molalla Communications Company Monitor Cooperative Telephone Company Monroe Telephone Company Mount Angel Telephone Company Oregon Telephone Corporation Pine Telephone System, Inc. Pioneer Telephone Cooperative Roome Telecommunications Inc. St. Paul Cooperative Telephone Association Scio Mutual Telephone Association	Oregon Companies
Cheyond Communications Grande Communications New Edge Networks NuVox Communications Supra Telecom Talk America, Inc. XO Communications, Inc. Xspedius Communications	Cheyond <i>et al.</i>
Clearwire Corporation	Clearwire
Concerned Mayors Alliance	Concerned Mayors Alliance
Consumer Federation America Consumers Union Free Press U.S. Public Interest Research Group	Consumer Federation <i>et al.</i>
Florida Public Service Commission	Florida PSC
Mobile Satellite Ventures Subsidiary LLC	MSV LLC
National Association of State Utility Consumer Advocates	NASUCA

<b>Reply Commenters</b>	<b>Abbreviation</b>
National Telecommunications Cooperative Association	NTCA
New Jersey Division of the Ratepayer Advocate	New Jersey Ratepayer Advocate
ScanSource, Inc.	ScanSource
Telephone USA Investments, Inc.	Telephone USA
T-Mobile USA, Inc.	T-Mobile

<b>Condition Commenters</b>	<b>Abbreviation</b>
ACCESS Integrated Networks, Inc.	ACCESS
Access Point, Inc.	Access Point <i>et al.</i>
ACN Communications Services, Inc.	
Deltacom, Inc.	
Florida Digital Network, Inc. d/b/a FDN Communications, Inc.	
Globalcom Communications, Inc.	
Lightyear Network Solutions, Inc.	
McLeodUSA Telecommunications Services, Inc.	
Pac-West Telecom, Inc.	
Smart City Networks, Inc.	
US LEC Corp.	
Advance/Newhouse Communications Cablevision Systems Corporation Charter Communications Cox Communications Insight Communications Company	Advance/Newhouse <i>et al.</i>
Alliance for Public Technology	APT
American Antitrust Institute, Inc.	
American Association of People with Disabilities	
Benjamin Ochshorn	
Center for Creative Voices in Media	
Center for Digital Democracy	CDD
Chickasaw Telephone Company	
Clearwire Corporation	Clearwire
Communications Workers of America	CWA
COMPTEL	COMPTEL
Computer & Communications Information Association	
Concerned Mayors Alliance	Concerned Mayors Alliance
Consumer Federation America Consumers Union Free Press U.S. Public Interest Research Group	Consumer Federation <i>et al.</i>
Disability Coalition	
Earthlink, Inc.	Earthlink
Federation of Internet Solution Providers of the Americas, Inc.	FISPA
Georgia Public Service Commission	Georgia PSC
Global Crossing North America, Inc.	Global Crossing
Image Access, Inc. d/b/a NewPhone dPi Teleconnect Express Phone Service, Inc.	Resale Joint Commenters

Condition Commenters	Abbreviation
Budget Phone Quality Telephone AmeriMex Communications Corp. Ganoco, Inc. d/b/a American Dialtone The National Alternative Local Exchange Carrier Association/Prepaid Communications Association	
It's Our Net Coalition	
M/C Venture Partners Meritage Funds McCullen Capital Wachovia Capital Partners	M/C Venture Partners <i>et al.</i>
Michigan Communication Carriers Association	
National Association of State Utility Consumer Advocates	NASUCA
National Emergency Number Association	
Netzero, Inc.	
New Jersey Division of the Ratepayer Advocate	New Jersey Ratepayer Advocate
NTS Communications	
Raw Bandwidth Communications, Inc.	
Special Access Coalition	
Sprint Nextel Corporation	Sprint Nextel
TeleTruth (Parts 1 & 2)	
Texaltel	
Time Warner Telecom, Inc.	TWTC
T-Mobile USA, Inc.	T-Mobile
United States Internet Industry Association	
Sumit Majumdar, Ph.D.	Majumdar
UTEX Communications Corporation d/b/a Feature Group IP	UTEX
XO Communications, Inc.	XO

**APPENDIX B**

List of Licenses and Authorizations  
Subject to Transfer of Control

***Domestic Section 214 Authority***

BellSouth Affiliates and Subsidiaries Holding Domestic **214** Authority

BellSouth Long Distance, Inc.  
BellSouth Telecommunications, Inc.

***International Section 214 Authorizations***

<u>File No.</u>	<u>Authorization Holder</u>	<u>Authorization Number</u>
ITC-TIC-20060331-00182	Cingular Wireless LLC	ITC-214-20011031-00547
ITC-T/C-20060331-00183	Acadiana Cellular General Partnership	ITC-214-20010412-00193
ITC-TIC-20060406-00190	Decatur RSA Limited Partnership	ITC-214-20010412-00219
ITC-T/C-20060406-00191	Florida RSA No. 2B (Indian River) Limited Partnership	ITC-214-20010412-00205
ITC-T/C-20060406-00192	Cingular Wireless of Texas RSA #1, Limited Partnership	ITC-214-20000713-00776
ITC-T/C-20060406-00193	Cingular Wireless of Galveston, L.P.	ITC-214-19960516-00196
ITC-TIC-20060406-00194	Cingular Wireless of Texas RSA #16, Limited Partnership	ITC-214-20000713-00777
ITC-TIC-20060406-00195	CCPR of the Virgin Islands, Inc.	ITC-214-20001101-00664
ITC-TIC-20060406-00196	CCPR Paging, Inc.	ITC-214-19930315-00040
ITC-TIC-20060406-00197	Cincinnati SMSA Limited Partnership	ITC-214-20010412-00199
ITC-TIC-20060406-00198	CCPR Services, Inc.	ITC-214-19940107-00011
ITC-TIC-20060406-00199	Champaign CellTelCo	ITC-214-20010412-00198
ITC-TIC-20060406-00200	Georgia RSA No. 3 Limited Partnership	ITC-214-20010412-00201
ITC-TIC-20060406-00201	Houma-Thibodaux Cellular Partnership	ITC-214-20000721-00430
ITC-TIC-20060406-00202	Houston Cellular Telephone Company, L.P.	ITC-214-20000713-00779 <i>et al.</i>
ITC-TIC-20060406-00203	Louisiana RSA No. 7 Cellular General Partnership	ITC-214-20010412-00197
ITC-TIC-20060406-00204	Lubbock SMSA Limited Partnership	ITC-214-2001412-00196
ITC-TIC-20060406-00205	Madison SMSA Limited Partnership	ITC-214-20010412-00225
ITC-TIC-20060406-00206	Missouri RSA 8 Limited Partnership	ITC-214-20010412-00200
ITC-T/C-20060406-00207	McAllen-Edinburg-Mission SMSA, Limited Partnership	ITC-214-20010412-00208
ITC-T/C-20060406-00208	Milwaukee SMSA Limited Partnership	ITC-214-20010412-00231
ITC-TIC-20060406-00209	Northeastern Georgia RSA Limited Partnership	ITC-214-20010412-00223
ITC-TIC-20060406-00210	Missouri RSA 11/12 Limited Partnership	ITC-214-20010412-00203
ITC-TIC-20060406-00211	Missouri RSA 9B1 Limited Partnership	ITC-214-20010412-00191
ITC-TIC-20060406-00212	Oklahoma RSA 9 Limited Partnership	ITC-214-20010412-00215
ITC-TIC-20060406-00213	Oklahoma City SMSA Limited Partnership	ITC-214-20010412-00229

<u>File No.</u>	<u>Authorization Holder</u>	<u>Authorization Number</u>
ITC-T/C-20060406-00214	Oklahoma RSA 3 Limited Partnership	ITC-214-20010412-00207
ITC-T/C-20060406-00215	Texas RSA 19 Limited Partnership	ITC-214-20010412-00216
ITC-T/C-20060406-00216	Pine Bluff Cellular, Inc.	ITC-214-20031017-00481
ITC-T/C-20060406-00217	Texas RSA 18 Limited Partnership	ITC-214-20010412-00224
ITC-T/C-20060406-00218	Texas RSA 7B1 Limited Partnership	ITC-214-20010412-00204
ITC-T/C-20060406-00219	Texas RSA 20B1 Limited Partnership	ITC-214-20010412-00228
ITC-T/C-20060406-00220	Texas RSA 6 Limited Partnership	ITC-214-20010412-00218
ITC-T/C-20060406-00221	Texas RSA 9B1 Limited Partnership	ITC-214-20010412-00190
ITC-T/C-20060406-00222	Topeka SMSA Limited Partnership	ITC-214-20010412-00226
ITC-T/C-20060406-00223	New Cingular Wireless PCS, LLC	ITC-214-20010412-00211 <i>et al.</i>
ITC-T/C-20060406-00224	Louisiana No. 8 Limited Partnership	ITC-214-20010412-00232
ITC-T/C-20060406-00225	BellSouth Long Distance, Inc.	ITC-214-20021009-00500 <i>et al.</i>
ITC-T/C-20060406-00226	BellSouth International, LLC	ITC-214-19971017-00638

### ***Cable Landing Licenses***

<u>File No.</u>	<u>Authorization Holder</u>	<u>Authorization Number</u>
SCL-TIC-20060331-00003	BellSouth Long Distance Inc. <sup>616</sup>	SCL-LIC-19990303-00004 <i>et al.</i>

### ***Satellite Earth Station Authorization Applications***

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
SES-T/C-20060404-00562	BellSouth Wireless Cable, Inc.	E920001
SES-T/C-20060404-00563	BellSouth Entertainment, LLC	E990020
SES-T/C-20060412-00646	BellSouth Telecommunications, Inc.	E990021
SES-T/C-20061222-02237 <sup>617</sup>	New Cingular Wireless PCS, LLC	E060408

<sup>616</sup> See **Actions Taken Under Cable Landing License Act**, Public Notice, Report No. SCL-00017, DA No. 06-1236 (rel. June 8, 2006) (noting grant on June 7, 2006 of application in file no. SCL-ASC-20060419-00006 for *pro forma* assignment of the submarine cable ownership interests held by BellSouth International, Inc. (now BellSouth International, LLC) (BSI) to BellSouth Long Distance, Inc. (BSLD)).

<sup>617</sup> The International Bureau granted New Cingular Wireless PCS, LLC, a wholly owned subsidiary of Cingular Wireless LLC, a license for satellite earth station (call sign E060408) on December 20, 2006. See **Satellite Communications Services Information re: Actions Taken**, Public Notice, Report No. SES-00883 (rel. Dec. 20, 2006). AT&T requested approval “to acquire control of any authorization issued to the respective licensees/transferors during the pendency of the transaction and the period required for consummation of the transaction.” AT&T/BellSouth Application at 125-26.



**Wireless Radio Service Applications****Licenses held by BellSouth**

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002545739 <sup>618</sup>	BellSouth Advertising & Publishing Corporation	WPSH611
0002.546993	BellSouth Mobile Data, Inc.	KNLB202
0002546732 <sup>619</sup>	BellSouth Telecommunications, Inc.	KA2187
0002547740	BellSouth Telecommunications, Inc.	WPMP702
0002548714	BellSouth Telecommunications, Inc.	WNZL596
0002548969	BellSouth Telecommunications, Inc.	WPFH766
0002545782 <sup>620</sup>	BellSouth Wireless Cable, Inc	B024
0002545755	South Florida Television, Inc.	WHJ893
0002545777	Stevens Graphics, Inc.	WPTF978

**Licenses held by Cingular**

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002550321	Acadiana Cellular General Partnership	KNKN499
0002828728 <sup>621</sup>	Appaloosa Newco, LLC	KNKN762
0002560497	Arkansas 11 RSA Newco, LLC	KNKQ353
0002550346 <sup>622</sup>	Bellingham Cellular Partnership	KNKA572
0002550347 <sup>623</sup>	Bloomington Cellular Telephone Company	KNKA654

<sup>618</sup> File No. 0002550321 was designated the lead application for the wireless radio services. Thus, for convenience, when referring to these applications in this attachment, we only cite to the lead Application. We note that the lead Application was amended on several occasions. Specifically, the exhibits referenced in the footnotes below were tiled as follows: Exhibit 4 was tiled on October 12, 2006; Exhibit 6 was filed on November 2, 2006; Exhibit 7 was filed on November 17, 2006; Exhibit 8 was filed on December 1, 2006; and Exhibit 9 was filed on December 22, 2006.

<sup>619</sup> See Application at Exhibit 4, Exhibit 6, Exhibit 9 (updating File No. 0002546732 to indicate relinquished or assigned licenses (to be deleted) and licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>620</sup> See Application at Exhibit 4 (updating File No. 0002545782 to indicate relinquished or assigned licenses (to be deleted)).

<sup>621</sup> See Application at Exhibit 8 (filing File No. 0002828728 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction).

<sup>622</sup> See Application at Exhibit 4 (updating File No. 0002550346 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>623</sup> See Application at Exhibit 4 (updating File No. 0002550147 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sien</u>
0002550364 <sup>624</sup>	Blue Licenses Holding, LLC	KNKA247
0002550348 <sup>625</sup>	Blue Texas Licenses Holding, L.P.	KNKA372
0002550345 <sup>626</sup>	Bradenton Cellular Partnership	KNKA647
0002550351 <sup>627</sup>	Bremerton Cellular Telephone Company	KNKA679
0002550350	Cagal Cellular Communications Corporation	KNKA697
0002550369	CCPR of the Virgin Islands, Inc.	KNKN523
0002550352	CCPR Paging, Inc.	WQBN422
0002551244 <sup>628</sup>	CCPR Services, Inc.	KNKA451
0002550357 <sup>629</sup>	Champaign CellTelco	KNKA478
0002550358 <sup>630</sup>	Chattanooga MSA Limited Partnership	KNKA289
0002550372	Cincinnati SMSA Limited Partnership	KNKA222
0002832969 <sup>631</sup>	Cingular AWS, LLC	WQGA742
0002556120	Cingular Wireless of Galveston, L.P.	KNKA676
0002550361	Cingular Wireless of Texas RSA #11 Limited Partnership	KNKN538
0002550359 <sup>632</sup>	Cingular Wireless of Texas RSA #16 Limited Partnership	KNKN608
0002550363	Decatur RSA Limited Partnership	KNKN903
0002550379 <sup>633</sup>	Florida RSA No. 2B (Indian River) Limited Partnership	KNKN990

<sup>624</sup> See Application at Exhibit 4. Exhibit 7 (updating File No. 0002550364 to indicate relinquished or assigned licenses (to be deleted)).

<sup>625</sup> See Application at Exhibit 4 (updating File No. 0002550348 to indicate relinquished or assigned licenses (to be deleted)).

<sup>626</sup> See Application at Exhibit 4 (updating File No. 0002550345 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>627</sup> See Application at Exhibit 4 (updating File No. 0002550351 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>628</sup> See Application at Exhibit 4 (updating File No. 0002551244 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>629</sup> See Application at Exhibit 4 (updating File No. 0002550357 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>630</sup> See Application at Exhibit 4 (updating File No. 0002550358 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>631</sup> See Application at Exhibit 8 (filing File No. 0002832969 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction).

<sup>632</sup> See Application at Exhibit 4 (updating File No. 0002550359 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>633</sup> See Application at Exhibit 4 (updating File No. 0002550379 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002550356 <sup>634</sup>	Georgia RSA No. 3 Limited Partnership	KNKN765
0002550362 <sup>635</sup>	Hood River Cellular Telephone Company, Inc.	KNKN461
0002550368	Houma-Thibodaux Cellular Partnership	KNKA686
0002550371 <sup>636</sup>	Houston Cellular Telephone Company, L.P.	KNKA229
0002550385	Jacksonville MSA Limited Partnership	KNKA287
0002550360 <sup>637</sup>	Lafayette MSA Limited Partnership	KNKA492
0002550366	Louisiana RSA No. 7 Cellular General Partnership	KNKN614
0002550375	Louisiana RSA No. 8 Limited Partnership	KNKQ454
0002550376	Lubbock SMSA Limited Partnership	KNKA421
0002550389 <sup>638</sup>	Madison SMSA Limited Partnership	KNKA414
0002550365	McAllen-Edinburg-Mission SMSA Limited Partnership	KNKA430
0002550380	Medford Cellular Telephone Co., Inc.	KNKA722
0002550384 <sup>639</sup>	Melbourne Cellular Telephone Company	KNKA406
0002550382 <sup>640</sup>	Milwaukee SMSA Limited Partnership	KNKA214
0002550373 <sup>641</sup>	Missouri RSA 8 Limited Partnership	KNKN575
0002550386	Missouri RSA 9B1 Limited Partnership	KNKN907
0002550392 <sup>642</sup>	Missouri RSA 11/12 Limited Partnership	KNKN726
0002550394 <sup>643</sup>	New Cingular Wireless PCS, LLC	KNKA218

<sup>634</sup> See Application at Exhibit 4 (updating File No. 0002550356 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>635</sup> See Application at Exhibit 4 (updating File No. 0002550362 to indicate relinquished or assigned licenses (to be deleted)).

<sup>636</sup> See Application at Exhibit 4 (updating File No. 0002550371 to indicate relinquished or assigned licenses (to be deleted)).

<sup>637</sup> See Application at Exhibit 4 (updating File No. 0002550360 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>638</sup> See Application at Exhibit 4 (updating File No. 0002550389 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>639</sup> See Application at Exhibit 4 (updating File No. 0002550384 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>640</sup> See Application at Exhibit 4 (updating File No. 0002550382 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>641</sup> See Application at Exhibit 4 (updating File No. 0002550373 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>642</sup> See Application at Exhibit 4 (updating File No. 0002550392 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>643</sup> See Application at Exhibit 4, Exhibit 6, Exhibit 8, Exhibit 9 (updating File No. 0002550394 to indicate relinquished or assigned licenses (to be deleted) and licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)). Application File No. 0002552209

(continued....)

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002550427 <sup>644</sup>	New Cingular Wireless Services of Nevada, LLC	KNKA657
0002550378 <sup>645</sup>	Northeastern Georgia RSA Limited Partnership	KNKN875
0002550388	Ocala Cellular Telephone Company, Inc.	KNKA753
0002550399	Oklahoma City SMSA Limited Partnership	KNKA296
0002550428 <sup>646</sup>	Oklahoma RSA 3 Limited Partnership	KNKN821
0002550400 <sup>647</sup>	Oklahoma RSA 9 Limited Partnership	KNKN981
0002550387	Olympia Cellular Telephone Company, Inc.	KNKA589
0002550391 <sup>648</sup>	Orange Licenses Holding, LLC	KNKA208
0002550410	Orange Texas Licenses Holding, L.P.	KNKA279
0002550429 <sup>649</sup>	Orlando SMSA Limited Partnership	KNKA253
0002550405	Pine Bluff Cellular, Inc.	KNKA746
0002550390 <sup>650</sup>	Provo Cellular Telephone Company	KNKA704
0002550396	Reno Cellular Telephone Company	KNKA516
0002550412	Salem Cellular Telephone Company	KNKA754
0002550753 <sup>651</sup>	Salmon PCS Licensee LLC	WPTI719
0002550402 <sup>652</sup>	San Juan Cellular Telephone Company	KNKA785

(Continued from previous page)

transferring a license held by Cingular Wireless LCC to AT&T Inc. **was** withdrawn when the license was assigned to New Cingular Wireless PCS, LLC and added to File No. 0002550394. **See** Application at Exhibit 4.

<sup>644</sup> **See** Application at Exhibit 4, Exhibit 6, Exhibit 8 (updating File No. 0002550427 to indicate relinquished or assigned licenses (to be deleted) and licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>645</sup> **See** Application at Exhibit 4 (updating File No. 0002550378 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>646</sup> **See** Application at Exhibit 4 (updating File No. 0002550428 to indicate relinquished or assigned licenses (to be deleted)).

<sup>647</sup> **See** Application at Exhibit 4 (updating File No. 0002550400 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>648</sup> **See** Application at Exhibit 4, Exhibit 8 (updating File No. 0002550391 to indicate relinquished or assigned licenses (to be deleted) and licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>649</sup> **See** Application at Exhibit 4 (updating File No. 0002550429 to indicate relinquished or assigned licenses (to be deleted)).

<sup>650</sup> **See** Application at Exhibit 4 (updating File No. 0002550390 to indicate relinquished or assigned licenses (to be deleted)).

<sup>651</sup> **See** Application at Exhibit 4. Application File No. 0002550753 was listed in the Accepted for Filing Public Notice under the category of applications transferring control of non-controlling interests held by Cingular. During the pendency of this transaction, Salmon PCS Licensee LLC became a wholly-owned and controlled subsidiary of Cingular. **See** Application at Exhibit 4.

<sup>652</sup> **See** Application at Exhibit 4 (updating File No. 0002550402 to indicate relinquished or assigned licenses (to be deleted)).

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002550411 <sup>653</sup>	Santa Barbara Cellular Systems, Ltd.	KNKA493
0002550397 <sup>654</sup>	Sarasota Cellular Telephone Company	KNKA494
0002550398	St. Cloud Cellular Telephone Company, Inc	KNKA808
0002550415 <sup>655</sup>	TeleCorp Communications, LLC	WQBN423
0002550403	Texas RSA 6 Limited Partnership	KNKN369
0002550416	Texas RSA 7B1 Limited Partnership	KNKN730
0002550413	Texas RSA 9B1 Limited Partnership	KNKN905
0002550408	Texas RSA 18 Limited Partnership	KNKN696
0002550414 <sup>656</sup>	Texas RSA 19 Limited Partnership	KNKN525
0002550401	Texas RSA 20B1 Limited Partnership	KNKN945
0002550417 <sup>658</sup>	Topeka SMSA Limited Partnership	KNKA442
0002550407	Triton License Newco, LLC	WPOI204
0002550406 <sup>659</sup>	Visalia Cellular Telephone Company	KNKA781

#### Non-controlling interests in Commission licensees held by Cingular

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002552323	ABC Wireless, LLC	WPOK608
0002552332	Arnage Wireless, L.L.C.	KNLG714
0002552557	Cascade Wireless, LLC	KNLG842
0002553087	Cordova Wireless	WPOL372
0002552311	Edge Mobile, LLC	WQDU923
0002552326	Indiana Acquisition, L.L.C.	WPQY739
0002552336	Lone Star Wireless, LLC	WPOJ700
0002552120	Muskegon Cellular Partnership	KNKA552
0002552333	Panther Wireless, LLC	KNLG251

<sup>653</sup> See Application at Exhibit 6 (updating File No. 0002550411 to indicate relinquished or assigned licenses (to be deleted)).

<sup>654</sup> See Application at Exhibit 4 (updating File No. 0002550397 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>655</sup> See Application at Exhibit 4. Exhibit 6 (updating File No. 0002550411 to indicate relinquished or assigned licenses (to be deleted)).

<sup>656</sup> See Application at Exhibit 4 (updating File No. 0002550414 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>657</sup> See Application at Exhibit 4 (updating File No. 0002550401 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>658</sup> See Application at Exhibit 4 (updating File No. 0002550417 to indicate licenses acquired, after notifying the Commission or receiving Commission approval, during the pendency of the transaction (to be added)).

<sup>659</sup> See Application at Exhibit 6 (updating File No. 0002550406 to indicate relinquished or assigned licenses (to be deleted)).

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002552329	Royal Wireless, L.L.C.	KNLF456
0002552556	Sabre Wireless, LLC	KNLG243
0002552312	Southwest Wireless, L.L.C.	KNLF761
0002552124	St. Joseph CellTelco	KNKA772
0002552316	THC of Houston, Inc.	KNLH625
0002552315	THC of Melbourne, Inc.	KNLH627
0002552314	THC of Orlando, Inc.	KNLH630
0002552321	THC of San Diego, Inc.	KNLG655
0002552313	THC of Tampa, Inc.	KNLH631
0002552328	Wireless Acquisition, L.L.C	KNLF587
0002552330	Zuma/Lubbock, Inc.	WPOJ840
0002552331	Zuma/Odessa, Inc.	WPOJ842

***De facto* transfer spectrum leases held by New Cingular Wireless PCS, LLC**

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002555817	Cook Inlet/VS GSM IV PCS, LLC	KNLFS10
0002555823	Omnipoint NY MTA License, LLC	WPSL621
0002555835660	T-Mobile License LLC	WPOL258

**Spectrum manger leases held by New Cingular Wireless PCS, LLC, Orange Licenses Holding, LLC, and Cingular Wireless of Galveston, L.P.**

<u>File No.</u>	<u>Licensee</u>	<u>Lead Call Sign</u>
0002779369 <sup>661</sup>	T-Mobile License LLC	L000001281
0002779375 <sup>662</sup>	T-Mobile License LLC	L000001283
0002779382 <sup>663</sup>	Blue Texas Licenses Holding, L.P.	L000001282

<sup>660</sup> See Application at Exhibit 4 (updating File No. 0002555815 to indicate termination of leases (to be deleted)).

<sup>661</sup> See Application at Exhibit 4 (filing File No. 0002779369 to indicate new leases entered into during the pendency of the transaction).

<sup>662</sup> See Application at Exhibit 4 (filing File No. 0002779175 to indicate new leases entered into during the pendency of the transaction).

<sup>663</sup> See Application at Exhibit 4 (filing File No. 0002779382 to indicate new leases entered into during the pendency of the transaction).

*Experimental Radio Service Applications*

	<u>Licensee</u>	<u>Call Signs</u>
0009-EX-TU-2006	New Cingular Wireless PCS, LLC	WA2XIG WC2XUG WB2XHJ
0010-EX-TU-2006	New Cingular Wireless Services, Inc.	KA2XBT KA2XAC

## APPENDIX C

## Enterprise Data

Table 1A • Local Voice • Large Business Customers (Syndicated State Data)										
	Median	AL	FL	GA	KY	LA	MS	NC	SC	TN
Pre-Merger BellSouth Market Share	[REDACTED]									
Post-Merger BellSouth/AT&T Market Share										
Post-Merger HHI										
Delta										
Source: AT&T/BellSouth August 18, 2006 <i>Ex Parte</i> Letter, Attach. <i>See supra</i> note 210. Figures have been rounded.										

Table 1B • Long Distance Voice • Large Enterprise Customers (Syndicated State Data)										
	Median	AL	FL	GA	KY	LA	MS	NC	SC	TN
Pre-Merger BellSouth Market Share	[REDACTED]									
Post-Merger BellSouth/AT&T Market Share										
Post-Merger HHI										
Delta										
Source: AT&T/BellSouth August 18, 2006 <i>Ex Parte</i> Letter, Attach. <b>See <i>supra</i></b> note 210. Figures have been rounded.										

	Median	AL	FL	GA	KY	LA	MS	NC	SC	TN	
Pre-Merger BellSouth Market Share	[REDACTED]										
Post-Merger BellSouth/AT&T Market Share											
Post-Merger HHI											
Delta											
Source: AT&T/BellSouth August 18, 2006 <i>Ex Parte</i> Letter, Attach. <i>See supra</i> note 210. Figures have been rounded.											



Table 1D - TI - Large Business Customers (Syndicated State Data)											
	Median	AL	FL	GA	KY	LA	MS	NC	SC	TN	
Pre-Merger BellSouth Market Share	[REDACTED]										
Post-Merger BellSouth/AT&T Market Share											
Post-Merger HHI											
Delta											
Source: AT&T/BellSouth August 18, 2006 Ex Parte Letter, Attach. See supra note 210. Figures have been rounded.											